

**Buy** (old: Buy)

22.09.2023

**EUR 31.00** (old: EUR 31.00)

### Polish nuclear power programme could drive mid-term growth

**Topic:** Poland's decision to massively build out its nuclear power production landscape during the next 15 years should yield additional strong growth opportunities for R. Stahl following the successful market entry in the UK.

During the next 15 years, **Poland plans to build 79 "Small Modular Reactors" (SMR)** with an average capacity of 300 MW in order to significantly increase the supply of emission-free energy for foreign investors and local industries during the mid-term. In fact, the **International Atomic Energy Agency (IAEA) has just given Poland the green light for this initiative with construction of the first SMR likely to begin in 2026.**

**Why this is good news for R. Stahl:** As of 2023, R. Stahl has begun to supply LED lightning solutions to a nuclear project in the UK (Hinkley Point C) with a similar projects to follow each year until 2030 (project volumes of € 10-12m each). More importantly, the UK project is partially owned by the French utility company EDF (through a JV), which also manages France's 56 power reactors, which are old and carry a significant maintenance backlog. Being the supplier of choice for Europe's largest operator for nuclear power plants, we see a high likelihood that R. Stahl should be able to at least partially participate in Poland's nuclear programme during the mid- to long-term.

Alongside nuclear power, R. Stahl should also strongly benefit from (1) its superior market shares along the LNG value chain (liquefaction and shipping: 75%, natural gas production: 50% and regasification 25%) and (2) a rising need for production automation across offshore oil and gas rigs, chemical/pharmaceutical/food production plants. During the short- to mid-term, the company should hence enjoy dynamic mid to high single-digit annual sales growth.

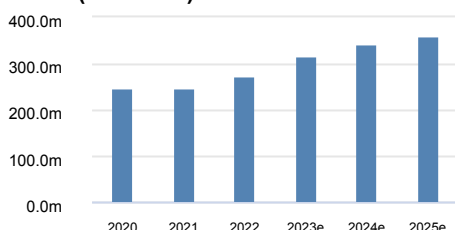
In sum, we regard R. Stahl as well positioned to **benefit from several structural growth trends alongside nuclear power** during the foreseeable future, which should ultimately lead to gradually improving margins, returns and cash flow generation. Yet, this is not yet fully reflected in the company's valuation as shares are trading on 8.9x PE 2024e.

We hence **reiterate our BUY rating with an unchanged € 31 PT**, based on FCFY 2024e.

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	246.5	248.1	274.3	318.0	342.7	359.9
Sales growth	-10.3%	0.7%	10.6%	15.9%	7.7%	5.0%
EBITDA	17.2	16.8	20.6	37.3	41.5	45.1
Net debt (if net cash=0)	5.8	18.3	29.2	32.7	23.0	8.0
FCF	5.1	-3.1	-8.1	-3.5	9.7	15.0
Net Debt/EBITDA	0.3	1.1	1.4	0.9	0.6	0.2
EPS pro forma	-1.40	-0.77	0.30	2.31	2.80	2.93
EBITDA margin	7.0%	6.8%	7.5%	11.7%	12.1%	12.5%
ROCE	0.3%	-0.0%	2.0%	10.5%	11.2%	12.0%
EV/sales	1.0	1.0	0.9	0.8	0.7	0.6
EV/EBITDA	14.9	15.2	11.6	6.5	5.6	4.8
PER	-46.0	-32.7	84.6	10.8	8.9	8.5
Adjusted FCF yield	1.4%	-0.4%	3.8%	7.7%	9.1%	11.1%

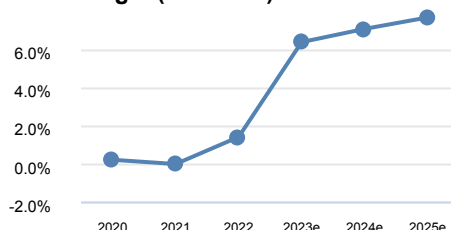
Source: Company data, NuWays, Close price as of 21.09.2023

#### Sales (2020-25e)



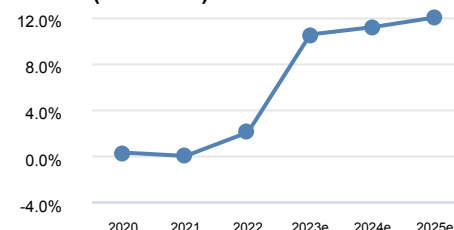
Source: NuWays Research

#### EBIT margin (2020-25e)



Source: NuWays Research

#### ROCE (2020-25e)



Source: NuWays Research

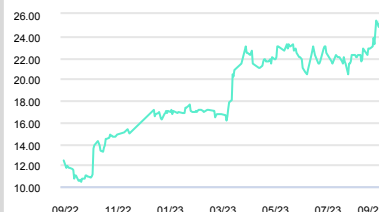
#### Company description

R. STAHL is a globally leading producer of components for electrical explosion protection, mainly for the oil & gas, chemical and pharma industry. The company offers >10k products, ranging from standard components to complete systems and individually engineered solutions for large projects

#### Guidance

- Sales: € 305-320m
- Adj. EBITDA € 30-36m

#### Share Performance



High/low 52 weeks (€)	26.00 / 10.40
3m rel. performance	15.7%
6m rel. performance	48.2%
12m rel. performance	70.0%

#### Market data

Share price (in €)	25.00
Market cap (in € m)	161.0
Number of shares (in m pcs)	6.4
Enterprise value (in € m)	242.1
Ø trading volume (6 months)	1,280

#### Identifier

Bloomberg	RSL2 GR
Reuters	RSLG
WKN	A1PHBB
ISIN	DE000A1PHBB5

#### Key shareholders

Founding Families	48.0%
RSBG	14.0%
Langfrist-Investoren TGV	10.0%
BWVA	5.0%
Free Float	22.0%

#### Estimates changes

	2023e	2024e	2025e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

#### Comment on changes

## Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>246.5</b>	<b>248.1</b>	<b>274.3</b>	<b>318.0</b>	<b>342.7</b>	<b>359.9</b>
Sales growth	-10.3%	0.7%	10.6%	15.9%	7.7%	5.0%
Increase/decrease in finished goods and work-in-process	7.4	3.9	7.6	5.4	5.4	5.4
<b>Total sales</b>	<b>253.9</b>	<b>252.0</b>	<b>282.0</b>	<b>323.4</b>	<b>348.1</b>	<b>365.3</b>
Other operating income	11.1	10.2	13.6	15.8	17.0	17.9
Material expenses	85.7	85.3	100.5	114.3	122.5	127.9
Personnel expenses	115.6	116.2	122.0	136.8	146.7	153.3
Other operating expenses	46.5	43.9	52.5	50.9	54.5	56.9
<b>Total operating expenses</b>	<b>236.7</b>	<b>235.2</b>	<b>261.4</b>	<b>286.1</b>	<b>306.6</b>	<b>320.2</b>
<b>EBITDA</b>	<b>17.2</b>	<b>16.8</b>	<b>20.6</b>	<b>37.3</b>	<b>41.5</b>	<b>45.1</b>
Depreciation	11.4	11.6	11.9	12.1	12.3	12.5
<b>EBITA</b>	<b>5.7</b>	<b>5.2</b>	<b>8.7</b>	<b>25.2</b>	<b>29.2</b>	<b>32.6</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	5.2	5.3	4.9	4.9	4.9	4.9
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>0.5</b>	<b>-0.1</b>	<b>3.8</b>	<b>20.4</b>	<b>24.3</b>	<b>27.7</b>
Interest income	0.1	0.1	0.1	0.2	0.1	0.2
Interest expenses	3.5	2.9	3.6	3.4	3.2	5.7
Investment income	1.6	1.4	3.6	4.1	4.5	4.7
Financial result	-1.8	-1.5	-0.0	0.9	1.4	-0.8
<b>Recurring pretax income from continuing operations</b>	<b>-1.3</b>	<b>-1.5</b>	<b>3.8</b>	<b>21.3</b>	<b>25.7</b>	<b>26.9</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>-1.3</b>	<b>-1.5</b>	<b>3.8</b>	<b>21.3</b>	<b>25.7</b>	<b>26.9</b>
Income tax expense	2.2	3.4	1.9	6.4	7.7	8.1
<b>Net income from continuing operations</b>	<b>-3.5</b>	<b>-4.9</b>	<b>1.9</b>	<b>14.9</b>	<b>18.0</b>	<b>18.9</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>-3.5</b>	<b>-4.9</b>	<b>1.9</b>	<b>14.9</b>	<b>18.0</b>	<b>18.9</b>
Minority interest	-0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit (reported)</b>	<b>-3.5</b>	<b>-4.9</b>	<b>1.9</b>	<b>14.9</b>	<b>18.0</b>	<b>18.9</b>
Average number of shares	6.4	6.4	6.4	6.4	6.4	6.4
<b>EPS reported</b>	<b>-0.54</b>	<b>-0.77</b>	<b>0.30</b>	<b>2.31</b>	<b>2.80</b>	<b>2.93</b>

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Sales growth	-10.3%	0.7%	10.6%	15.9%	7.7%	5.0%
Increase/decrease in finished goods and work-in-process	3.0%	1.6%	2.8%	1.7%	1.6%	1.5%
<b>Total sales</b>	<b>103.0%</b>	<b>101.6%</b>	<b>102.8%</b>	<b>101.7%</b>	<b>101.6%</b>	<b>101.5%</b>
Other operating income	4.5%	4.1%	5.0%	5.0%	5.0%	5.0%
Material expenses	34.8%	34.4%	36.6%	35.9%	35.7%	35.5%
Personnel expenses	46.9%	46.8%	44.5%	43.0%	42.8%	42.6%
Other operating expenses	18.9%	17.7%	19.1%	16.0%	15.9%	15.8%
<b>Total operating expenses</b>	<b>96.0%</b>	<b>94.8%</b>	<b>95.3%</b>	<b>90.0%</b>	<b>89.5%</b>	<b>89.0%</b>
<b>EBITDA</b>	<b>7.0%</b>	<b>6.8%</b>	<b>7.5%</b>	<b>11.7%</b>	<b>12.1%</b>	<b>12.5%</b>
Depreciation	4.6%	4.7%	4.3%	3.8%	3.6%	3.5%
<b>EBITA</b>	<b>2.3%</b>	<b>2.1%</b>	<b>3.2%</b>	<b>7.9%</b>	<b>8.5%</b>	<b>9.1%</b>
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	2.1%	2.1%	1.8%	1.5%	1.4%	1.3%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT (inc revaluation net)</b>	<b>0.2%</b>	<b>-0.0%</b>	<b>1.4%</b>	<b>6.4%</b>	<b>7.1%</b>	<b>7.7%</b>
Interest income	0.1%	0.0%	0.0%	0.1%	0.0%	0.1%
Interest expenses	1.4%	1.2%	1.3%	1.1%	0.9%	1.6%
Investment income	0.6%	0.6%	1.3%	1.3%	1.3%	1.3%
Financial result	neg.	neg.	neg.	0.3%	0.4%	neg.
<b>Recurring pretax income from continuing operations</b>	<b>-0.5%</b>	<b>-0.6%</b>	<b>1.4%</b>	<b>6.7%</b>	<b>7.5%</b>	<b>7.5%</b>
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>-0.5%</b>	<b>-0.6%</b>	<b>1.4%</b>	<b>6.7%</b>	<b>7.5%</b>	<b>7.5%</b>
Tax rate	-172.4%	-223.1%	50.1%	30.0%	30.0%	30.0%
<b>Net income from continuing operations</b>	<b>-1.4%</b>	<b>-2.0%</b>	<b>0.7%</b>	<b>4.7%</b>	<b>5.3%</b>	<b>5.2%</b>
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net income</b>	<b>-1.4%</b>	<b>-2.0%</b>	<b>0.7%</b>	<b>4.7%</b>	<b>5.3%</b>	<b>5.2%</b>
Minority interest	-0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net profit (reported)</b>	<b>-1.4%</b>	<b>-2.0%</b>	<b>0.7%</b>	<b>4.7%</b>	<b>5.3%</b>	<b>5.2%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	43.3	46.5	48.8	51.1	53.6	56.2
Property, plant and equipment	80.3	78.0	75.0	69.4	63.7	58.0
Financial assets	14.5	19.0	15.8	15.8	15.8	15.8
<b>FIXED ASSETS</b>	<b>138.2</b>	<b>143.5</b>	<b>139.6</b>	<b>136.3</b>	<b>133.1</b>	<b>130.0</b>
Inventories	36.9	39.6	48.9	63.6	64.7	64.3
Accounts receivable	36.7	35.9	37.4	43.6	46.9	49.3
Other assets and short-term financial assets	11.2	11.2	14.7	14.7	14.7	14.7
Liquid assets	19.9	6.3	16.1	12.6	22.3	37.2
Deferred taxes	13.4	9.4	3.1	3.1	3.1	3.1
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>118.1</b>	<b>102.5</b>	<b>120.1</b>	<b>137.5</b>	<b>151.6</b>	<b>168.6</b>
<b>TOTAL ASSETS</b>	<b>256.2</b>	<b>246.0</b>	<b>259.7</b>	<b>273.8</b>	<b>284.7</b>	<b>298.6</b>

<b>SHAREHOLDERS EQUITY</b>	<b>47.9</b>	<b>49.6</b>	<b>71.1</b>	<b>87.0</b>	<b>100.1</b>	<b>112.9</b>
MINORITY INTEREST	0.2	0.2	0.2	0.2	0.2	0.2
Provisions for pensions and similar obligations	103.1	95.5	64.2	64.2	64.2	64.2
Other provisions and accrued liabilities	13.7	13.7	13.7	13.7	13.7	13.7
Short-term liabilities to banks	16.9	22.2	44.1	44.1	44.1	44.1
Accounts payable	13.8	18.9	19.1	21.3	19.2	20.2
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	48.3	40.3	39.5	35.5	35.5	35.5
Deferred taxes	2.7	2.6	5.9	5.9	5.9	5.9
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT LIABILITIES</b>	<b>62.1</b>	<b>59.2</b>	<b>58.6</b>	<b>56.9</b>	<b>54.7</b>	<b>55.7</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>256.2</b>	<b>246.0</b>	<b>259.7</b>	<b>273.8</b>	<b>284.7</b>	<b>298.6</b>

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	16.9%	18.9%	18.8%	18.7%	18.8%	18.8%
Property, plant and equipment	31.4%	31.7%	28.9%	25.3%	22.4%	19.4%
Financial assets	5.7%	7.7%	6.1%	5.8%	5.5%	5.3%
<b>FIXED ASSETS</b>	<b>53.9%</b>	<b>58.3%</b>	<b>53.7%</b>	<b>49.8%</b>	<b>46.7%</b>	<b>43.5%</b>
Inventories	14.4%	16.1%	18.8%	23.2%	22.7%	21.5%
Accounts receivable	14.3%	14.6%	14.4%	15.9%	16.5%	16.5%
Other assets and short-term financial assets	4.4%	4.6%	5.7%	5.4%	5.2%	4.9%
Liquid assets	7.7%	2.6%	6.2%	4.6%	7.8%	12.5%
Deferred taxes	5.2%	3.8%	1.2%	1.1%	1.1%	1.0%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT ASSETS</b>	<b>46.1%</b>	<b>41.7%</b>	<b>46.3%</b>	<b>50.2%</b>	<b>53.3%</b>	<b>56.5%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>SHAREHOLDERS EQUITY</b>	<b>18.7%</b>	<b>20.2%</b>	<b>27.4%</b>	<b>31.8%</b>	<b>35.1%</b>	<b>37.8%</b>
MINORITY INTEREST	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Provisions for pensions and similar obligations	40.3%	38.8%	24.7%	23.4%	22.5%	21.5%
Other provisions and accrued liabilities	5.3%	5.6%	5.3%	5.0%	4.8%	4.6%
Short-term liabilities to banks	6.6%	9.0%	17.0%	16.1%	15.5%	14.8%
Accounts payable	5.4%	7.7%	7.3%	7.8%	6.7%	6.8%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	18.8%	16.4%	15.2%	13.0%	12.5%	11.9%
Deferred taxes	1.1%	1.1%	2.3%	2.2%	2.1%	2.0%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT LIABILITIES</b>	<b>24.2%</b>	<b>24.1%</b>	<b>22.6%</b>	<b>20.8%</b>	<b>19.2%</b>	<b>18.7%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, NuWays

Cash flow statement (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net profit/loss	-3.5	-4.9	1.9	14.9	18.0	18.9
Depreciation of fixed assets (incl. leases)	11.4	11.6	11.9	12.1	12.3	12.5
Amortisation of goodwill & intangible assets	5.2	5.3	4.9	4.9	4.9	4.9
Others	-0.2	0.0	0.0	0.0	0.0	0.0
Cash flow from operating activities	6.4	-2.5	-3.5	-2.1	11.1	16.4
Increase/decrease in inventory	-2.8	-2.7	-9.3	-14.7	-1.0	0.4
Increase/decrease in accounts receivable	5.8	0.8	-1.5	-6.2	-3.4	-2.4
Increase/decrease in accounts payable	-1.3	5.1	0.2	2.2	-2.1	1.0
Increase/decrease in other working capital positions	0.0	4.3	5.2	-3.0	-5.0	-6.0
Increase/decrease in working capital	1.7	7.6	-5.4	-21.7	-11.5	-7.0
<b>Cash flow from operating activities</b>	<b>17.9</b>	<b>11.9</b>	<b>6.0</b>	<b>10.2</b>	<b>23.6</b>	<b>29.2</b>
CAPEX	12.7	15.0	14.1	13.6	14.0	14.3
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	3.2	-3.5	0.0	0.0	0.0
Income from asset disposals	0.5	0.0	0.1	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-12.2</b>	<b>-18.1</b>	<b>-10.4</b>	<b>-13.6</b>	<b>-14.0</b>	<b>-14.3</b>
Cash flow before financing	5.7	-6.3	-4.4	-3.5	9.7	15.0
Increase/decrease in debt position	-0.1	-7.6	14.3	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.2	0.0	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.4	0.4	-0.2	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-0.3</b>	<b>-7.6</b>	<b>14.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Increase/decrease in liquid assets	4.9	-13.5	9.7	-3.5	9.7	15.0
<b>Liquid assets at end of period</b>	<b>19.9</b>	<b>6.3</b>	<b>16.1</b>	<b>12.6</b>	<b>22.3</b>	<b>37.2</b>

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>P&amp;L growth analysis</b>						
Sales growth	-10.3%	0.7%	10.6%	15.9%	7.7%	5.0%
EBITDA growth	-32.0%	-2.1%	22.5%	81.2%	11.2%	8.7%
EBIT growth	-92.2%	-112.6%	-6309.7%	428.9%	19.5%	13.9%
EPS growth	-361.5%	40.7%	-138.6%	682.8%	21.0%	4.7%
<b>Efficiency</b>						
Sales per employee	146.8	144.5	154.5	168.8	173.2	180.9
EBITDA per employee	10.2	9.8	11.6	19.8	21.0	22.7
No. employees (average)	1,680	1,718	1,775	1,884	1,978	1,990
<b>Balance sheet analysis</b>						
Avg. working capital / sales	24.6%	23.5%	22.6%	24.1%	26.0%	25.8%
Inventory turnover (sales/inventory)	6.7	6.3	5.6	5.0	5.3	5.6
Accounts receivable turnover	54.4	52.8	49.7	50.0	50.0	50.0
Accounts payable turnover	25.0	34.2	31.3	31.0	31.0	31.0
<b>Cash flow analysis</b>						
Free cash flow	5.1	-3.1	-8.1	-3.5	9.7	15.0
Free cash flow/sales	2.1%	-1.3%	-2.9%	-1.1%	2.8%	4.2%
FCF / net profit	neg.	63.1%	neg.	neg.	53.7%	79.4%
Capex / sales	5.2%	7.3%	3.8%	4.3%	4.1%	4.0%
<b>Solvency</b>						
Net debt	5.8	18.3	29.2	32.7	23.0	8.0
Net Debt/EBITDA	0.3	1.1	1.4	0.9	0.6	0.2
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	15.5%	11.6%	10.4%	7.5%	7.0%	12.6%
<b>Returns</b>						
ROCE	0.3%	-0.0%	2.0%	10.5%	11.2%	12.0%
ROE	-7.3%	-9.9%	2.7%	17.1%	18.0%	16.7%
Adjusted FCF yield	1.4%	-0.4%	3.8%	7.7%	9.1%	11.1%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-0.54	-0.77	0.30	2.31	2.80	2.93
Average number of shares	6.4	6.4	6.4	6.4	6.4	6.4
<b>Valuation ratios</b>						
P/BV	3.4	3.2	2.3	1.8	1.6	1.4
EV/sales	1.0	1.0	0.9	0.8	0.7	0.6
EV/EBITDA	14.9	15.2	11.6	6.5	5.6	4.8
EV/EBIT	517.1	-4125.1	62.0	11.9	9.6	7.8

Source: Company data, NuWays

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Company	Disclosures
R. STAHL AG	2

### Historical target price and rating changes for R. STAHL AG

Company	Date	Analyst	Rating	Target Price	Close
R. STAHL AG	01.12.2022	Sandherr, Christian	Buy	EUR 21.00	EUR 14.80

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under:

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